



California Public Employees' Retirement System
Investment Office
P.O. Box 2749
Sacramento, CA 95812-2749
TTY: (877) 249-7442
(916) 795-3400 phone
www.calpers.ca.gov

Agenda Item 5

October 17, 2011

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. **SUBJECT:** Consultant Annual Review of the Internal Absolute Return Fund of Funds Program Review
- II. **PROGRAM:** Absolute Return Strategies
- III. **RECOMMENDATION:** Information
- IV. **ANALYSIS:**

Executive Summary

The Absolute Return Strategies (ARS) Program (formerly known as Risk Managed Absolute Return Strategies or RMARS) was initially funded on April 1, 2002. Wilshire Associates (Wilshire) conducts an annual review of the ARS Program's personnel, its investment processes, and the external resources used in managing the ARS Program. This agenda item contains Wilshire's evaluation of the ARS Program. Wilshire followed the same due diligence process used to evaluate any current or prospective investment product.

The Wilshire review addresses all facets of the ARS Program and summarizes its conclusions in Attachment 1 – summary of conclusions. Staff does not necessarily agree with all of the observations and conclusions in the review, but believes the review substantially captures the program's investment process and operation. Staff will be available to discuss the review with this Committee.

V. **RISKS:**

As this is an information item, there are no actions to be taken by this Committee that would result in any adjustment to the ARS Program risk profile or that of CalPERS as a whole. However, the Committee may wish to review the "Risks" section of the annual review to better understand the risks of the ARS Program itself in Wilshire's opinion.

VI. STRATEGIC PLAN:

This item will further the following goals of CalPERS Strategic Plan:

- Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.
- Goal IX: Achieve long-term, sustainable, risk adjusted returns.

VII. RESULTS/COSTS:

There are no additional costs associated with this item.

CRAIG DANDURAND
Portfolio Manager
Absolute Return Strategies

JANINE GUILLOT
Chief Operating Investment Officer

JOSEPH A. DEAR
Chief Investment Officer